

Memorandum

TO: RULES COMMITTEE

FROM: Leslye Krutko

SUBJECT: STATE HOUSING LEGISLATION

DATE: June 8, 2006

Approved

Deanna Santana

Date

6/9/06

Council District: All

SNI: All

RECOMMENDATION

It is recommended that the Rules Committee recommend to the Mayor and City Council the following action on State legislation related to land use, housing elements, and homelessness:

1. Support AB 2745 (Jones) – Discharge Planning
2. Support SB 1609 (Simitian) – Reverse Mortgages
3. Support SB 1676 (Ducheny) – Condominium Conversions

OUTCOME

By taking positions on these three bills, the City Council will help assist in the passage of legislation that will enable the City to better protect our City's residents against predatory lending practices, enable us to provide greater assistance in the prevention of homelessness, and protect tenants by increasing noticing requirements for condominium conversions.

BACKGROUND

The City's Housing Department recommends support for the three measures listed above because they will further the City's affordable housing goals.

The following bills align with the City's "Legislative Priorities" adopted in January 2006 under the policies and priorities for Community and Economic Development. Specifically, the Legislative Priorities call for support for "continued State and federal role in the provision of the affordable housing and policies that increase affordable housing opportunities," and our continued advocacy to help eliminate homelessness, as adopted in the City's Homeless Strategy.

ANALYSIS

SB 2745 (Jones) – Discharge Planning

SB 2745 requires hospitals to develop a protocol specific to the needs of homeless patients. The bill defines “homeless patient” as an individual who lacks a fixed and regular nighttime residence, or has a primary nighttime residence that is supervised publicly or privately operated shelter designed to provide temporary living accommodations, or who is residing in a public or private place not designed to provide temporary living accommodations or ordinarily used as a sleeping accommodation for human beings.

Under current law, each hospital is required to have a written discharge planning policy and process that requires appropriate arrangements for post-hospital care and a process that requires that each patient be informed, orally or in writing, of the continuing care requirements following discharge from the hospital. This bill would expand these requirements to develop a protocol for homeless patients. In addition to the development of a protocol, the bill also prohibits the placing of homeless individuals into another jurisdiction.

The discharge of homeless individuals has been problematic for many years. First, there has been no special consideration or discharge planning for the homeless. This fails to take into consideration the unique circumstances and high health risks of persons releasing homeless individuals from hospitals into the streets. Secondly, the bill seeks to address a problem that some communities feel are stretching their resources too thin: homeless being released in neighboring jurisdictions. This bill seeks to stop this practice by requiring that hospitals receive prior approval from the recipient county agency or service provider.

SB 2745 represents one very important way to help prevent homelessness. In a recent survey and homeless count conducted in the County of Santa Clara, nearly 26% of the chronically homeless use hospital emergency rooms as their primary source of healthcare. Therefore, this bill could potentially help these individuals to break the cycle of homelessness and future health care crisis and represents a good way to enable local governments to better coordinate the effort to end and/or prevent homelessness before it progresses into greater long-term costs.

The City of San José has adopted a 10-Year Strategy to End Homelessness. The success of this strategy will largely depend on the cumulative efforts of all our federal, State, counties, cities, and nonprofit agencies pulling together. This bill provides one small piece of a more collaborative effort to address one aspect of homelessness.

The bill is sponsored and supported by the Western Center on Law and Poverty and is opposed by the California Hospitals Association, stating that “this bill unfairly targets hospitals for a pervasive and complicated societal issue that will require a comprehensive approach.”

Status: The bill passed out of the Assembly (46-30) on May 30, 2006 and is now in the Senate for consideration.

SB 1609 (Simitian) – Reverse Mortgages

Reverse mortgages allow senior homeowners, age 62 and older, to borrow against the equity in their home in order to get immediate access to funds. The principle and interest on these loans are generally not due until the borrower passes away or sells the home. Over the last ten years, reverse mortgages have become increasingly popular with California's senior homeowners who are house-rich but cash-poor. The complex and expensive attributes of these loans have made them ripe for financial fraud and abuse. SB 1609 aims to provide additional protections against these abuses in three main ways:

- This bill would require lenders to refer prospective reverse mortgage borrowers to a HUD-approved housing counseling agency to discuss the advisability and appropriateness of the loan product. The bill would also prohibit lenders from accepting a reverse mortgage application without a certificate describing the borrower's receipt of the required counseling.
- In recent years aggressive and unscrupulous marketing methods have been used to sell unsuitable and unnecessary annuities to seniors in connection with reverse mortgages. An annuity is an insurance product financed out of a home's equity that provides monthly payment to the borrower. This bill would prohibit a lender from requiring a borrower to purchase an annuity as a part of a reverse mortgage transaction. The bill would also preclude any person from selling an annuity to a reverse mortgage borrower within 30 days of the loan's closing and would make any annuity contract made within the 30-day period void and unenforceable.
- Reverse mortgages provide many opportunities for lenders to unduly prey upon non-English speaking seniors when the transaction is conducted in one language but the final contract is in English. This bill would require a reverse mortgage contract to be translated into Spanish, Chinese, Tagalog, Vietnamese, or Korean if the contract was primarily negotiated in these languages.

SB 1609 currently has no known opposition, but is supported by a number of organizations including the California Association of Mortgage Brokers, the California Senior Legislature, the California Seniors Coalition, the Center for Responsible Lending, Consumer Attorneys of California, the Consumers Federation of California, Consumers Union, Fair Housing Law Project, Gray Panthers, Project Sentinel, Public Interest Law Firm, and the Trusts and Estates Law Section of the State Bar of California.

Status: The bill passed out of the Senate on May 11, 2006 (21-15) and is currently in Assembly Judiciary Committee and will be heard on June 13, 2006.

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SB 1676 (Ducheny) – Condominium Conversions

SB 1676 would increase the notice period for tenants who rent units in properties with condominium subdivision maps approved after January 1, 1993 from 90 days to 180 days.

Under current law, the Subdivision Map Act governs how counties and cities approve the subdivision of land into lots. The Map Act also applies to the conversion of property into condominiums, community apartments, or stock cooperative ownership. Under State law, landlords seeking to subdivide their property in order to convert them to condominium use must notify tenants 180 days prior to the conversion of the rental unit. However, if a property was built with a condominium subdivision map prior to 1993, and is currently used as rental housing, there is only a 30-day eviction notice prior to the owner selling the property.


The bill seeks to apply consistent noticing requirement for both the Subdivision Maps and Condominium Maps. This is a very important provision as San José has a number of rental properties built prior to 1993 with a condominium subdivision map and that could convert to condominium ownership. This bill will help renters by giving them adequate time to find replacement housing.

The bill is supported by ACORN California, Western Center of Law and Poverty, California Reinvestment Coalition, California Labor Federation, AFL-CIO, California legislative Council for Older Americans, Corporation for Supportive Housing, Council of Churches of Santa Clara County, CHISPA, Disabled Resources Center, First Community Housing Inc., Independent Living Services of Northern California, Mid-Peninsula Housing, National AIDS Foundation, National Farm Works Service Center, Neighborhood Housing Services of Silicon Valley, California Affordable Housing Law Project. The bill is opposed by the California Association of Realtors, California Housing Council, Minority Apartment Owners Association, and the North Valley Property Owners Association.

Status: The bill passed out of the Senate on May 11, 2006 (23-13) and is will be heard in the Assembly Housing and Community Development Committee on June 14, 2006.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Intergovernmental Relations Director, and the City's Sacramento lobbyist.


LESLEYE KRUTKO
Director of Housing